

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2004-141-E - ORDER NO. 2004-277
JUNE 7, 2004

IN RE: Application of Duke Energy Corporation for) ORDER APPROVING
Authorization under Article 13, Chapter 27 of) APPLICATION
Title 58 of the Code of Laws of South)
Carolina, 1976 as Amended, to Enter into and)
Borrow under Long-Term Revolving Credit)
Facility)

Duke Energy Corporation (the “Company”) filed an Application, dated May 7, 2004, (the “Application”) for authorization to enter into a proposed revolving credit facility, incur and repay indebtedness under such facility pursuant to the terms thereof, and issue notes evidencing such indebtedness. Based on the verified Application and the Commission’s entire files and records in this matter, the Commission now makes the following

FINDINGS OF FACT

1. The Company is a corporation duly organized and existing under the laws of the State of North Carolina. It is duly authorized by its Articles of Incorporation to engage in the business of generating, transmitting, distributing, and selling electric power and energy. It is duly domesticated in the State of South Carolina and is authorized to conduct and carry on business in this State, and is conducting and carrying on the businesses above mentioned in each of said States. It is a public utility under the laws of this State and its operations in this State are subject to the jurisdiction of this

Commission. It is also a public utility under the laws of the State of North Carolina and its operations in that State are subject to the jurisdiction of the North Carolina Utilities Commission. It is a public utility under the Federal Power Act, and certain of its operations are subject to the jurisdiction of the Federal Energy Regulatory Commission. In addition, the Company, through its subsidiaries and affiliates, engages in a broad range of energy and energy-related businesses throughout the western hemisphere.

2. The Company proposes, pursuant to its Application in this Docket, to enter into a three-year revolving credit facility with a group of certain lenders, under which it may borrow from time to time up to a maximum amount of \$500,000,000 (the "Facility"). Citicorp USA, Inc. will serve as administrative agent for the Facility. The maturity date may be extended at the Company's option for an additional one-year period, upon the consent of lenders having at least two-thirds of the aggregate amount of commitments to lend under the Facility. Borrowings under the Facility will be unsecured and will not encumber any of the Company's assets.

Under the Facility, the Company's borrowings may remain outstanding until the Facility's final maturity date. In addition, at the Facility's maturity, the Company may borrow up to the full amount of the commitments under the Facility in the form of a one-year term loan. Upon the request of one or more of the lenders under the Facility, the Company must issue a note to such lenders evidencing loans made by such requesting lender under the Facility.

Interest payable on loans taken under the Facility will be payable at either a Base Rate or at LIBOR plus the Applicable Margin, as selected by the Company for each

borrowing. Definitions of these rates are set forth in the Appendix to the Summary of Terms and Conditions (filed as Exhibit B to the Application).

3. The authority requested herein is in substitution of the previously granted authority granted by the Commission in Docket No. 2001-328-E, as the Facility will replace the three-year facility authorized in such docket.

4. The Company will pay certain fees, including attorneys' fees, in connection with the negotiation and consummation of the Facility. The Company will pay a Facility Fee as described in the Summary of Terms and Conditions. The Company states that such fee is the result of arm's length negotiations with the lenders under the Facility and is comparable to fees payable in similar transactions in the marketplace. The Company will also pay certain administrative fees based upon arm's length negotiations with the administrative agent and joint arrangers under the Facility, consisting of a one-time arrangement fee of not more than \$350,000, and an annual administrative fee of not more than \$75,000.

5. Proceeds from sales of commercial paper backed by the Facility, and from borrowings under the Facility, will be used for (a) the purchase or redemption of the Company's outstanding higher cost securities as hereinafter provided, (b) refunding maturing securities, (c) financing the Company's ongoing electric plant construction (including the acquisition of nuclear fuel), and (d) working capital requirements. None of the proceeds from such issuances or borrowings will be used to assume, refinance, refund or redeem any securities or other debt obligations of any of the Company's subsidiaries.

The Company may use borrowings under the Facility, or the net proceeds from the sales of commercial paper backed by the Facility, to purchase and redeem certain of the Company's outstanding unmatured debt securities from time to time when market conditions permit such purchases and redemptions at a lower cost of money. The Company will amortize any premium paid on purchased and redeemed debt securities over the life of the new borrowings and commercial paper and proposes to include the after-tax amount of such unamortized premium in its rate base as a component of working capital.

When the Company uses borrowings under the Facility, or net proceeds from the sale of commercial paper backed by the Facility, for purchases, redemptions and refinancings of outstanding debt securities, the Company proposes to execute the transactions so that, over time, there will be no material effect on its capitalization with respect to the source of funds.

CONCLUSIONS

Based upon the foregoing Findings of Fact and review and study of the verified Application, its supporting data, and other information in the Commission's files, the Commission is of the opinion, and so finds, that the Company is a public utility subject to the jurisdiction of this Commission with respect to its rates, service, and securities issues and that the entry into the Facility, the incurrence and repayment of indebtedness pursuant to the terms thereof, and the issuance of notes evidencing such indebtedness, as set forth in the Company's Application, are

- a) For lawful objects within the corporate purposes of the Company;

- b) Compatible with the public interest;
- c) Necessary and appropriate for and consistent with the proper performance by the Company of its service to the public and will not impair its ability to perform that service; and
- d) Reasonably necessary and appropriate for such purposes.

When the borrowings herein authorized or the net proceeds from the sales of commercial paper backed by the Facility, are applied and used by the Company to purchase or redeem certain of the Company's outstanding unmatured debt securities, such sales will be made from time to time when market conditions will permit the purchases or redemptions on terms which would result in a lower cost of money to the Company. Any premium paid on purchased or redeemed debt securities will be amortized over the life of the new borrowings and commercial paper, and the after-tax amount of such unamortized premium will be included in the Company's rate base as a component of working capital.

IT IS, THEREFORE, ORDERED that Duke Energy Corporation be, and it is hereby, authorized, empowered, and permitted, upon the terms and conditions set forth in its Application:

1. To enter into a three-year revolving credit facility with a group of certain lenders, under which it may borrow from time to time up to a maximum amount of \$500,000,000 as described in the Application; and
2. To use the net proceeds of such sales to purchase or redeem higher cost securities, to refund maturing securities, to finance its ongoing electric plant construction (including the acquisition of nuclear fuel), and for working capital requirements.

IT IS FURTHER ORDERED, that:

1. The Company file a written report to the Commission within thirty (30) days after any borrowing under the Facility as herein approved. The report shall contain as a minimum the following data:

- a. Date of borrowing;
- b. Principal amount borrowed;
- c. Stated interest rate;
- d. The specific use(s) of the proceeds; and
- e. The docket number of the Order authorizing the borrowing.

2. That the Commission hereby specifically reserves the right to review all aspects of this matter in the context of any future proceeding(s) and to accord same any treatment that the Commission shall, at such time, consider appropriate.

BY ORDER OF THE COMMISSION:

/s/
Mignon L. Clyburn, Chairman

ATTEST:

/s/
Bruce F. Duke, Executive Director

(SEAL)